Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 3 Agenda
Health & Human Services

Chair, Senator Denise Ducheny

Senator George Runner
Senator Tom Torlakson

May 21, 2005
(Saturday)

10:00 AM

Room 4203

(Diane Van Maren)

Item	**Department**
4260	**Department of Health Services *(one issue only)***
4300	**Department of Developmental Services**

PLEASE NOTE:

(1) ALL previous actions taken by the Subcommittee remain, unless the Subcommittee otherwise modifies the proposal at this May Revision hearing.
(2) The "VOTE ONLY" CALENDAR may include the modification or denial of proposals, as well as acceptance of proposals. This will be noted in the Agenda as applicable.
(3) Only those issues in today's agenda are before the Subcommittee.
(4) Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair.
(5) Testimony will be limited. Thank you.

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A. Item 4260 Department of Health Services--*Discussion*

1. Requests for a Change to the Medi-Cal Pricing Updates

Issue: The Budget Act of 2004 implemented several changes to pharmacy reimbursement and the Medi-Cal Drug Contracting Program. One of these changes pertained to a change in the Average Wholesale Payment (AWP) made to pharmacies. (Pharmacy reimbursement consists of two components—a drug ingredient cost and a professional fee payment.)

As such, under existing law, the DHS is required to update allowable drug product prices *no less often than every 30 days*. These prices are used to pay pharmacists for the furnishing of prescription drugs to Medi-Cal enrollees. **This means that when a manufacturer increases its price, a pharmacy pays the new price for the drug, but continues to be paid at the old (lower) rate for 30 days.**

Therefore the Pharmacist Association is seeking a change in existing statute to require the DHS to update the drug product prices ***every seven days.***

Subcommittee Staff Recommendation: Based on technical assistance information obtained from the Department of Health Services, an increase of $4.5 million ($2.1 million General Fund) would be required if this 7-day notice change to existing statute was made. Specifically, this breaks out as follows:

- $580,000 ($145,000 General Fund) for the Fiscal Intermediary to perform the weekly (7-day) updates;
- $3.9 million ($1.964 million General Fund) for the increased cost in Medi-Cal services associated with the higher reimbursement payment to Pharmacists.

In addition, trailer bill language to effectuate the changes in the days would also be needed.

It should also be noted that SB 861 (Speier), as introduced, would change the days as noted. This legislation is presently on the Senate Suspense File for consideration next week.

B. Item 4300 Department of Developmental Services

ISSUES RECOMMENDED FOR "VOTE ONLY"

1. Conforming Action to Title XX Federal Block Grant with DSS Actions

Issue: The Governor's May Revision **provides a total of $56 million (Title XX Block Grant Funds) for expenditure in the DDS Item.** California has received Title XX Block Grant funds for social services since 1981. Each state has wide discretion in determining the range of services to be provided and how the funds are to be distributed. In California, these funds are administered by the Department of Social Services and are used for Temporary Assistance for Needy Families (TANF).

Typically, Title XX funds are only used in the DDS item when they are not needed for the TANF Program. In the DDS item, the Title XX Funds are used to backfill for General Fund support. When Title XX Funds are not available from the Department of Social Services, then the state uses General Fund support to backfill in the DDS item.

Subcommittee Staff Recommendation--Conforming: Due to Subcommittee actions taken in the Department of Social Services Item, there are no Title XX Funds to provide to the DDS. **Therefore, it is recommended to conform to prior actions by deleting the $56 million (Title XX Funds) in the DDS budget and increasing by $56 million General Fund support to offset the loss of the Title XX Funds.**

2. Guardianship/Conservatorship Filing Mandate

Issue: The Administration proposes to suspend this mandate for the 2005-06 fiscal year. The mandate was established in 1976 and requires the cost of investigations for limited Conservatorship hearings reimbursable to counties. Section Court Rule 810 guidelines subsequently defined the expenditures as allowable state court cost. The Department states the mandate needs to be suspended until such time as the mandate is repealed.

Subcommittee Staff Recommendation: It is recommended **to adopt** this Spring Finance Letter. No issues have been raised with this request.

<u>3. Implementation of Medi-Cal Adult Dental Cap—*Conforming Action*</u>

<u>Issue:</u> In a prior hearing, the Subcommittee adopted a higher capitation level for Medi-Cal Adult dental services than that proposed by the Governor. Specifically, the Subcommittee action was the following:

- Placeholder trailer bill language <u>to implement a $1,800 cap over a one-year period using a calendar year and ***no*** **retroactivity**</u>. An implementation date of January 1, 2006 is to be assumed. (The DHS date of August 1, 2005 was not realistic given the need to implement a tracking system and the practicality of using a calendar year such as done in the commercial marketplace.)
- <u>Exclude the following involved procedures from the cap</u>: (1) emergencies, dental services provided in long-term care facilities and related items as contained in the DHS proposal, (2) dentures, and (3) complex oral and maxillofacial surgeries. (This includes the following procedures codes 275, 277, 285, 289, 700 to 724, 900 to 916, and 974 to 985.)
- Provide a three-year sunset date of January 1, 2009, unless extended or a new program is implemented. In this manner the Legislature can revisit the issue and see if any adjustments for rates or services are warranted.

The May Revision for the DDS item provides an increase of $1.1 million (General Fund) to fund services to consumers who access services through the Regional Centers. However, this augmentation is *not necessary* since the Subcommittee approved a higher capitation level.

<u>Subcommittee Staff Recommendation:</u> **It is recommended to delete the $1.1 million (General Fund) amount in the May Revision estimate for the Regional Centers because it is unnecessary.** The Subcommittee adopted a higher capitation level ($1,800 cap) with the above noted exclusions.

<u>4. Reappropriation for Agnews Related Community-Based Housing</u>

<u>Issue:</u> The May Revision proposes to **reappropriate $11.1 million** (one-time only General Fund support) that was provided in through the Budget Act of 2004 the Legislature identified $11.1 million (one-time only General Fund support) to facilitate the initial development of community-based living options for the current residents of Agnews. The DDS notes that after consultation with the California Housing and Finance Agency and the Department of Housing and Community Development, the DDS approved the housing plan n May 11, 2005.

The expenditure plan has been submitted to the Joint Legislative Budget Committee (JLBC), chaired by Senator Chesbro. Funds cannot be expended until the DDS receives approval of the expenditure plan from the JLBC which is anticipated by the end of the 2004-05 fiscal year. Therefore, plan implementation will extend beyond this fiscal year, requiring reappropriation.

Additional Background: AB 2100, Statutes of 2004 (Steinberg and Richman), served as implementing legislation for the expenditure of the $11.1 million, as well as established the new "Family Home Teaching Model" to the list of residential living options. .

Through the use of the $11.1 million (one-time) and the passage of AB 2100, Statutes of 2004, the DDS proposes to authorize the Bay Area RCs to fund predevelopment costs (escrow deposit, environmental impact, various fees and related matters) to establish a permanent stock of housing for individuals with developmental disabilities transitioning from Agnews. The Bay Area RCs will contract with a local non-profit housing coalition to administer the fund. Housing will be developed using a lease/purchase/donate model facilitated by the Bay Area RCs and the local housing coalition.

Prior Subcommittee Hearing: This issue was discussed in our April 11th hearing and it was noted that it would be unlikely for all of the funds presently appropriated for the current-year to be fully expended.

Subcommittee Staff Recommendation: It is recommended **to adopt the May Revision, including the reappropriation language.**

5. Regional Center—Caseload and Funding Mix Adjustments--Current Year Estimate and Budget Year Estimate *(Technical Only—no Policy)*

Issue: The May Revision **for the *current year* (2004-05) reflects a decrease of $62.5 million ($69.6 million General Fund) compared to the January 2004-05 proposal.** This reflects a reduction of 1,900 in estimated community population and continued reduced expenditures due to the existing cost containment actions enacted primarily in the Budget Act of 2003.

The May Revision for 2005-06 also reflects certain technical adjustments as well. These are as follows:

- Adjust the Regional Center Operations area by increasing by a net of $189,000 (total funds) due to updated caseload data
- Adjust the Regional Center Purchase of Services area by reducing by a net $53.7 million (total funds) based on updated based, caseload, utilization, and expenditure data.
- Adjust the Regional Center budget to reflect a total increase of $144,000 and Reimbursements due to (1) an increase of $30,000 in federal funds for adding "environmental adaptation services" to the Home and Community-Based Waiver, and (2) an increase of $114,000 in federal funds for the Targeted Case Management Program.

Prior Subcommittee Hearing: In the April 11 hearing, the Subcommittee adopted an LAO adjustment which reflected a reduction due to estimated caseload being less.

Subcommittee Staff Recommendation: It is **recommended to (1)** adopt the Administration's May Revision for the current-year to reflect even a further reduction in expenditures than anticipated, *and* **(2)** adopt the Administration's technical adjustments for caseload, utilization and the receipt of federal funds and Reimbursements. No issues have been raised.

6. Governor's Continuation of Cost Containment—*May Revision*

Issue: The Governor's May Revision **proposes to continue prior year cost containment actions for a total savings of $94.7 million ($83.5 million General Fund) in 2005-06.** These savings would occur from the items listed below. These actions have all been in affect from at least the Budget Act of 2003. **This issue was discussed at length in our April 11th Subcommittee hearing.**

- *Delay in Assessment (Purchase of Services):* Through the Budget Act of 2002, trailer bill language was adopted to extend the amount of time allowed for the Regional Center's to conduct assessment of new consumers from 60 days to 120 days following the initial intake. **The Governor proposes to continue this extension through 2005-06 through trailer bill language. This is the same language as used in previous years**.

- *Family Cost Participation (RC operations and purchase of services)*: Through the Budget Act of 2004, trailer bill legislation was adopted to implement a Family Cost Participation Program by January 1, 2005. Under this program, families with incomes greater than 400 percent of poverty based on income and family size, that purchase Respite, Day Care, or Camp services must pay a parental co-payment. This program has been implemented by the DDS.

- *2004-05 Unallocated Reductions (RC operations and purchase of services):* An unallocated reduction of $6.4 million (General Fund) for RC Operations was adopted in the Budget Act of 2004, as well as a reduction of $7 million (General Fund) for the Purchase Of Services.

- *Day Program Rate Freeze:* Day Programs are community-based programs for individuals served by a Regional Center. Types of services available through a Day Program include: (1) developing and maintaining self-help and self-care skills, (2) developing the ability to interact with others, (3) developing self-advocacy and employment skills, (4) developing community integration skills such as accessing community services, and (5) improving behaviors through behavior management. The rate freeze means that provides who have a temporary payment rate in effect on or after June 30, 2003 cannot obtain a higher permanent rate. The Administration's proposed trailer bill language is the same as last year's, with a date extension to include 2005-06.

- *Contract Services Rate Freeze:* Some Regional Centers contract, through direct negotiations, with providers for certain services in lieu of the DDS setting an established rate. Continuation of the rate freeze would mean that Regional Centers cannot provide a rate greater than was in effect as of June 30, 2004. The Administration's proposed trailer bill language is the same as last year's, with a date extension to include 2005-06.

- *Community Care Facility (CCFs) Rate Freeze and Elimination of Pass Through:* The Budget Act of 2003 froze the CCF rates. Further, the SSI/SSP cost-of-living-adjustment that is paid to CCFs by the federal government is being used to off-set General Fund expenditures for these services (off-set is $1.6 million General Fund for 2005-06).

- *Non-Community Placement Start-Up Suspension (RC purchase of services):* Under this proposal, a Regional Center may not expend any Purchase of Services funds for the startup of any new program unless the expenditure is necessary to protect the consumer's health or safety or because of other extraordinary circumstances, and the DDS has granted authorization for the expenditure. The Administration's proposed trailer bill language would continue this freeze through 2006-07, or one-year longer than all of the other proposals.

- *2003-04 Unallocated Reduction (RC Purchase Of Services):* An unallocated reduction of $10 million (General Fund) for RC Purchase of Services was enacted for this year and is continued in the base.

- *Revision of Eligibility:* The Budget Act of 2003 and accompanying trailer bill language prospectively implemented the use of the federal standard for "substantial disability" to existing state Lanterman Act eligibility criteria. This revision, effective July 1, 2003, requires a person to have deficits in at least three of the seven life domains (i.e., communication skills, learning, self-care, mobility, self-direction, capacity for independent living, and economic self-sufficiency.

- *Habilitation Services Rate Freeze:* The Habilitation Services Program consists of the (1) Work Activity Program (WEP), and (2) Supported Employment Program (SEP). The WAP services are primarily provided in a sheltered setting and are reimbursed on a per-consumer-day basis. SEP enables individuals to work in the community, in integrated settings with support services provided by community rehabilitation programs. The Administration's proposed trailer bill language would continue the rate freeze into 2005-06. (This issue is separate and apart from the Supported Employment Program "group size" adjustment which is discussed later in this agenda.)

Subcommittee Staff Recommendation: It is recommended to adopt the Governor's proposal regarding these items, *except* for one trailer bill language change. With respect to the "non-community placement start-up" issue, it is recommended to extend this proposal for 2005-06 only, and not include 2006-07 in the language. All other language associated with these existing actions would be approved (i.e., extending the dates for one-more year.)

ISSUES FOR DISCUSSION--DDS

A. State Support and Community-Based Services Issues

1. DDS Headquarters' Request—Quality Management System for HCB Waiver & Developmental Centers to Meet federal CMS Requirements

Issue: The May Revision **requests an increase of $1 million (General Fund)** ***(one-time only)*** to the DDS state support budget to provide additional resources for implementing new quality assurance requirements of the federal CMS. **Specifically, these funds are requested for a consultant to conduct a comprehensive, system-wide study for implementing integrated, yet distinct management programs in the state Developmental Centers and Regional Centers.**

These funds are in addition to the Governor's January budget increase of $522,000 ($290,000 General Fund) to fund 4 new positions and operating expenses to support the development of a statewide Quality Management System (QMS) consistent with federal CMS requirements. The need for these positions was discussed in the Subcommittee's April 11th hearing.

The May Revision funds would be used to have a consultant do the following key aspects:

- Review documentation of federal requirements and any related documents, including outcome areas to be reported;
- Review the department's interpretation and work to date on these federal requirements;
- Identify any areas that the department may want to expand beyond the federal requirements and provide justification for these expansions;
- Identify and consider how various factors affecting the Regional Centers and Developmental Centers, as applicable, may be examined within the Quality Management System. Potential factors include:
    - Current and proposed cost containment measures;
    - Population and caseload trends;
    - Purchase of service growth, access to services, and quality of care; and
    - Rate-setting methodologies where rates are currently negotiated by the Regional Center and service provider.
- Inventorying existing capacities, processes, procedures, and data collection and reporting efforts in Regional Centers, Developmental Centers, and headquarters;
- Determine whether all Developmental Centers should conform to one system or whether systems remain intact, adding only necessary components, such as a headquarters management information system for tracking selected performance measures;

- For Regional Centers, critically review products from the federal CMS to identify improvements or changes in direction from the current approach in the Bay Area Quality Management System.
- For Regional Centers, the consultant will also work to assist in the development of required elements to the Quality Assurance System, including: (1) service provider expectations, (2) identification and validation of performance indicators, (3) development and delivery of related training programs for consumers, Regional Center Staff, providers and other interested parties, (4) development of system wide strategies to utilize data to identify trends and prioritize quality improvement projects.
- For Developmental Centers, the consultant will also conduct a feasibility study report that will address the enterprise perspective for the Developmental Centers and develop a comprehensive, long-term plan for improvements.

The DDS notes the following timetable for this work:

- Develop scope of work and recruit qualified consultant through a unified request for proposal—January 2006.
- Contractor to conduct certain "phase-one" activities (some noted above) and complete development of an integrated long-range plan for implementation of Quality Management System.
- Make recommendations for development of processes for remediation and quality improvement—October 2006.
- Complete a Feasibility Study Report (FSR) for Developmental Centers—January 2007.
- Develop Regional Center and service provider performance expectations, identify key indicators, develop tools and processes for measurement and data collection, and develop training resources—January 2007.

Background—Importance of Federal Funding under the Waiver: California's Home and Community-Based Waiver for individuals with developmental disabilities living in the community **has grown substantially in the past four years** as noted below by the increase of consumers and the level of federal funds now obtained. **Without the Waiver, California would need to replace the federal fund support, noted below, with General Fund moneys.**

- 2000-01 27,000 people $295 million (federal)
- 2004-05 63,500 people $600 million (federal)
- 2005-06 70,000 people (capped) $635.1 million (federal)

The federal CMS has made it clear that California—as the largest Home and Community-Based Waiver in the nation—needs to commence with implementation of a comprehensive Quality Management System.

Background on Need for Quality Assurance Framework: **In May 2004, the federal CMS issued updated interim procedures for states to follow regarding a quality assurance "framework" whereby states with Home and Community-Based Waivers will need** to meet certain assurances.

The “framework” defines quality through the delineation of desired outcomes for consumers across seven broad domains and 35 sub-domains. **The seven domains include:** (1) consumer access; (2) consumer-centered service planning and delivery; (3) provider capacity and capabilities; (4) consumer safeguards; (5) consumer rights and responsibilities; (6) consumer outcomes and satisfaction; and (7) financial integrity and system performance.

The DDS believes that existing structures adequately support a number of the seven domains. **However, the domains of provider capacity and capabilities, participant safeguards, and system performance need significant enhancement to address federal CMS concerns.**

The “framework” identifies the functions that are necessary for achieving desired outcomes as follows:

- *Design:* Design quality assurance and improvement strategies into the Waiver at the initiation of the program;
- *Discovery:* Collect data and direct participant experiences in order to assess the ongoing implementation of the program, identifying strengths as well as opportunities for improvement;
- *Remedy:* Taking actions to remedy specific problems or concerns that arise;
- *Continuous Improvement:* Utilize data and quality management information to engage in actions that assure continuous improvement in the program, at the consumer, vendor and systems levels.

DDS further notes that the state’s present system of quality assurance efforts rely heavily on the fragmented and varied quality assurance programs of the 21 RC’s, the design of which was done in the 1990’s. The federal CMS expects that states will move beyond current practice and take action to improve performance based upon information and

The state’s Developmental Centers would also benefit from the proposed “framework”. The department’s “framework” for the Developmental Centers will be consistent with the DDS’ overall design, including quality assurance and improvement strategies, data collection and analysis and continuous improvement. The DDS is including them in an effort to assure continued federal funding, minimize licensing and certification issues, and to improve consumer outcomes.

Subcommittee Staff Recommendation: It is recommended **to adopt the May Revision** to include the additional $1 million (General Fund) one-time only for specified consultant work regarding the development and implementation of a Quality Management System.

This is particularly warranted at this time given the changes and transitions which are occurring within the overall developmental services system. **Further, California’s developmental services system is heavily reliant on the receipt of these federal funds and needs to ensure that appreciate quality measures are being met to ensue consumer quality of life and safety, as well as the continued receipt of federal funds.**

Questions

1. DDS, Please briefly describe the need for the funding contained in the May Revision.

2. DDS Headquarters' Request—Medicare Part D Resources Request

Issue: The May Revision proposes an increase of $1.2 million (General Fund) to assess the impact of the federal Part D Drug Program on health care systems and fiscal accounting and reporting systems. Specifically, the request would be used as follows:

- $224,000 (General Fund) for two limited-term positions—one Pharmacy Services Manager and one Senior Programmer Analyst;
- $775,000 (one-time) for an information technology consultant contract and software purchase. Of this amount, $505,000 would be used to contract for an upfront analysis and Feasibility Study Report (FSR) and $270,000 would be to purchase software.
- $200,000 to backfill for the loss of Medi-Cal reimbursements for administrative costs;

According to the DDS, implementation of the federal Part D Drug Program will create the following new workload:

- Data and infrastructure changes to billing and information technology systems;
- Additional Developmental Center consumer insurance billing, posting, and accounting management;
- Need for review and alteration of existing Developmental Center rates;
- Training of Regional Center case managers, consumers and families;
- Pharmacy formulary changes;
- Development of appeal and exception processes for denial of drugs;
- Possible changes in the drug delivery system for the Developmental Centers; and
- Numerous other requirements.

The initial implementation will include an analysis of workload requirements in each of the affected areas. **System changes as noted below will also be required:**

- Critical health information applications at the Developmental Centers, specifically the electronic record, the pharmacy system, and the admissions/transfers/discharges system;
- Cost Recovery System and CALSTARS infrastructures to meet state and federal cost data collection reporting, and billing requirements, and to account for patient liability and payments for drug charges that are no longer part of the Developmental Center room rates; and
- A new billing system to allow the DDS to invoice Prescription Drug Plans for drugs provided through the Developmental Center pharmacies.

The DDS estimates that about 42,200 individuals with developmental disabilities will be affected by the new federal Part D Drug Program. Of these individuals, about 40,000 consumers are living in the community and access services through the Regional Center system and about 2,200 consumers are living in a Developmental Center.

<u>Subcommittee Staff Recommendation:</u> It is recommended to **(1)** approve the $224,000 (General Fund) for two limited-term positions, ***and*** the $775,000 (one-time) for an information technology consultant contract and software purchase.

In addition, it is recommended to deny the request for the $200,000 (General Fund) due to the loss of Medicaid reimbursements for administrative costs. No justification has been provided for this request. In addition, the DDS needs to review its expenditures to see about any potential availability for obtaining some portion of federal funds for some of the proposed activities.

<u>Questions:</u>

1. DDS, Please describe how the federal Part D Drug Program is to operate in the DDS programs.
2. DDS, Please provide a brief description of the request.

B. Issues Regarding Services in the Community

<u>Overall Background—May Revision:</u> The May Revision reflects a <u>net decrease of $30.1 million</u> as shown in the table below. **This table summaries the Governor's overall adjustments for the Regional Centers, including adjustments to the Purchase of Services as well as to Operations.**

As noted in the Summary Table, the Governor's proposal increases Operations by a total of $17.1 million and *decreases* the funding for services provided to consumers through the Purchase of Services item.

The community population estimate <u>has decreased by 2,865 individuals</u> since January for a total anticipated caseload of 208,020 consumers accessing community-based services. According to the DDS, this revised estimate reflects actual data through January 2005.

Summary of Governor's May Revision

Component	January 2005-06 (thousands)	May 2005-06 (thousands)	Difference
Total Expenditures	**$2,953,700**	**$2,923,600**	**-$30.1 million**
Operations	461,700	479,400	**$17.1 million**
Purchase of Services	2,471,900	2,424,100	***-$47.8 million***
Early Start/ Other Agencies	20,100	20,100	
Fund Sources	$2,953,700	$2,923,600	-$30.1 million
Total General Fund	$1,946,600	$1,868,500	-$78.1 million
GF Match (for federal)	($735,600)	($783,500)	($47.9 million)
GF Other	($1,211,000)	($1,085,000)	(-$126 million)
Reimbursements	$952,100	$999,400	$47.3 million
Federal Funds	$52,900	53,600	$700
Program Development Fund	$2,000	$2,000	--
Disabilities Services Acct	$100	100	--

1. Governor's Proposed Reductions to the Purchase of Services-- *Additional*

Issue: As discussed in the **Subcommittee's April 11th hearing**, the Governor is proposing additional reductions to the Purchase of Services area ***in addition*** to the cost containment activities enacted from prior years.

Specifically, the Governor proposes substantial policy changes through trailer bill legislation to grant Regional Centers (RCs) broad authority for reducing Purchase of Services (POS) expenditures.

The May Revision reflects a reduction to services of $13.7 million ($10.3 million General Fund) in 2005-06, with total savings of at least $41 million ($30.8 million General Fund) annually once the phase-in has been completed.

It should be noted that the Legislature has rejected similar proposals for the past three years.

It is assumed that RCs would apply these new requirements at the time of an individual's program plan (IPP) development or scheduled review. An individual's IPP is to be reviewed no less than once every three years. As such, the budget assumes that one-third of the RC population (208,000 people) would have their plans reviewed each year. **The proposed cumulative savings from these new requirements are as follows**:

Fiscal Year and Cumulative Effect	Total Proposed POS Reductions Due to New Requirements	Proposed Savings in General Fund
2005-06 One-third of population is reviewed.	$13.7 million	$10.3 million
2006-07 Continue 2005-06 savings and review next one-third of population.	$27.4 million	$20.6 million
2007-08 Continue 2005-06 and 2006-07 savings and review next one-third of population.	$41 million	$30.8 million

To implement these standards, the Governor is also proposing an augmentation of $6.0 million (General Fund) to RC operations for implementation of the proposed POS requirements. This increased funding is to be used for (1) 50 new positions; (2) $296,000 for office rent; (3) $500,000 for increased administrative law hearings; (4) $146,000 for annual statements of POS; and various related operating expenditures.

The Governor's proposed POS requirements and their anticipated component savings are as follows:

- *1. Vendor Selection Based On Lowest Cost:* The cost of providing services by different vendors, if available, would be reviewed by an RC and the least costly vendor who is able to meet the consumer's needs, as identified in the consumer's IPP, would be selected. This provision is assumed to save $24.3 million ($17.9 million General Fund) annually when fully implemented.

- *2. Statement of RC Services:* RCs would annually provide the consumer or their parent/guardian a statement of RC purchased services and supports. This statement would include the type, unit, and cost of the services and supports. This provision of the guidelines is intended to serve as a validation that the described services and supports are indeed being provided to the consumer by the designated vendor. This guideline is intended to save $6.2 million ($4.6 million General Fund) annually when fully implemented.
- *3. Directs RCs to Adhere to Existing Laws and Regulations In Purchasing Services:* RCs would be directed to establish internal processes to ensure that (1) their staff is following all laws and regulations when purchasing services and supports for consumers, and (2) other services, such as generic services provided by other agencies in the community, are pursued and used prior to authorizing the expenditure of RC funds for consumers. It is anticipated that $6.1 million ($4.5 million General Fund) in savings would be obtained annually when fully implemented.
- *4. Services to a Minor Child:* Under the Governor's proposal, legislation would be enacted to require RCs to take into account the family's responsibility for providing similar services to a minor child without disabilities when determining which services or supports would be purchased by the RC for the child. It is assumed that $2.6 million ($2.3 million General Fund) would be achieved annually when fully implemented.
- *5. RC Clinical Review:* RCs would be required to have a clinician review all requests for certain services and supports prior to the RC authorizing their purchase for the consumer. This review would pertain to certain supplemental program supports, assistive technology and environmental adaptations, behavioral services, specialized medical or dental services, and therapeutic services. The Administration assumes savings of $1 million ($750,000 General Fund) annually when fully implemented.
- *6. Use of Group Modality:* RCs would be directed to give preference for purchasing a service or support using a group modality, in lieu of an individual intervention, if a consumer's needs, as identified in their IPP, could be met using a group modality for the following services: Behavioral Services, Social and Recreation Activities, and Non-Medical Therapy Services. This provision is assumed to save $912,000 annually when fully implemented.

Background—Individualized Program Plan (IPP): The provision of services and supports to consumers is coordinated through the Individualized Program Plan (IPP). The IPP is prepared jointly by an interdisciplinary team consisting of the consumer, parent/guardian/conservator, persons who have important roles in evaluating or assisting the consumer, and representatives from the Regional Center and/or state Developmental

Center. Clinicians or others are to be involved in the IPP process when needed to complete the IPP.

Services included in the consumer's IPP are considered to be entitlements (court ruling).

In addition, as recognized in the Lanterman Act, differences (to certain degrees) may occur across communities (Regional Center catchment areas) to reflect the individual needs of the consumers, the diversity of the regions which are being served, the availability and types of services overall, access to "generic" services (i.e., services provided by other public agencies which are similar in charter to those provided through a Regional Center), and many other factors. This is intended to be reflected in the IPP process.

Constituency Concerns: The Subcommittee is in receipt of numerous letters opposing the Governor's additional cost containment strategies. Of particular concern is: (1) the "assault" on the IPP process; (2) the belief that the proposals violate federal Medicaid "freedom of choice" protections provided under the Home and Community-Based Waiver, and (3) the belief that the state's quality assurance obligations under the Home and Community-Based Waiver would be violated.

Subcommittee Staff Recommendation: It is recommended **to reject the Governor's proposed additional cost containment proposals as noted above for several reasons.**

The Legislature has rejected similar proposals for the past three years. First and foremost is that the proposed trailer bill **language gives the Administration carte blanche authority in making programmatic decisions. The Legislature needs to maintain both the policy and fiscal integrity of the program.**

Several of the proposed measures would also likely violate the IPP process and lead to litigation.

2. Impact of the Medicare Part D on Regional Center Consumers

Issue: The May Revision reflects several adjustments for the Regional Centers regarding implementation of the federal Part D Drug Program. The DDS notes that about 39,240 individuals (out of 208,000 consumers) residing in the community will be affected by this new program. It is assumed (at this time), that 70 percent of the current costs covered under Medi-Cal will continue to be covered by both Medi-Cal and Medicare. Further, the remaining 30 percent will be appealed, of which the DDS assumes half would be successfully appealed. **The proposed total increase is $9.3 million (General Fund) which is split between the two areas below:**

- ***Cost of Drugs Not Covered by Federal Part D Program:*** An **increase of $4.4 million** (General Fund) is proposed to fund those medications no longer covered by Medi-Cal or Medicare.

- ***Contract for Enrollment Brokers (One-Time Only):*** An **increase of $4.9 million** (General Fund) is proposed for the Regional Centers to contract with enrollment brokers for assistance to consumers in enrollment and appeals and with physicians and clinical pharmacists for enhanced medication review and consultation. Specifically, these funds are to be used as follows:
  - $3.1 million for contracted enrollment brokers to facilitate enrolment of consumers into the federal Part D Drug Program;
  - $662,250 to enhance clinical staff;
  - $392,400 to assist clients in appeals related to medications not covered under the federal Part D Drug Program;
  - $525,000 for training sessions for RC staff, providers, families and clients during July through October 2005; and
  - $147,000 for clinical pharmacist reviews.

Background on Federal Part D Drug Program: Effective January 1, 2006, pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003, Part D, coverage of prescription medications will shift from Medi-Cal to Medicare for individuals who are dually eligible.

Legislative Analyst's Office Recommendation: The **LAO recommends to (1)** approve the $4.4 million (General Fund) to continue to provide drugs to RC consumers as noted, and **(2)** adopt Budget Bill Language (below) regarding expenditure data for the costs of drugs purchased by the Regional Centers. The LAO recommends *withholding* on the $3.1 million (General Fund) for the enrollment contractors.

"The State Department of Developmental Services shall provide to the Legislature, by May 1, 2006, expenditure data for costs of drugs purchased by Regional Centers between January 1, 2006 and March 31, 2006, for the Regional Center consumers eligible for the Medicare Part D Drug Program."

Subcommittee Staff Recommendation: It is **recommended to (1)** approve the total May Revision increase of $9.3 million (General Fund) and **(2)** to adopt the LAO's proposed Budget Bill Language.

<u>3. Supported Employment—Group Size Adjustment</u>

<u>Issue:</u> In the Budget Act of 2004, the group size of Supported Employment Programs was increased from a group of three to a larger group of four. Based on data obtained from the DDS, this increase in the group size actually has restricted job growth.

Specifically, the DDS notes that in 2003-04 there were 273 new Supported Employment Groups but in 2004-05, there were only 74 new groups. Consumers participating in Supported Employment Groups spend their entire time in paid work.

Based on information obtained from the DDS and DOF, an increase of $1.4 million ($1.078 million General Fund) would be needed in the DDS item to change the group size back to the more "workable", smaller group. However, it should also be noted that the Department of Rehabilitation (DOR) operates a similar program. As such, though it is not statutorily required, the DOR item should be adjusted to maintain program and policy integrity across the services programs.

<u>Subcommittee Staff Recommendation:</u> It is recommended to do the following to return the Supported Employment Program "group size" back to a total of 3 individuals. <u>As such, the following actions are needed:</u>

- Increase the DDS Item (4300-101-0001) by $1.4 million ($1.078 million General Fund, and $322,000 Reimbursements);
- Increase the Department of Rehabilitation Item (5160-001-0001) by $2.154 million ($459,000 General Fund and $1.695 million federal funds);
- Adopt trailer bill legislation to change the group ratio back.

The change to existing statute is noted below:

Amend Section 4851 of Welfare and Institutions Code as follows:

(r) "Group services" means job coaching in a group supported employment placement at a job coach-to-consumer ratio of not less than one-to-~~four~~ **<u>three</u>** nor more than one-to-eight where services to a minimum of ~~four~~ **<u>three</u>** consumers are funded by the regional center or the Department of Rehabilitation. For consumers receiving group services, ongoing support services shall be limited to job coaching and shall be provided at the worksite.

<u>Background:</u> Supported employment provides opportunities for individuals with developmental disabilities to work in the community in integrated settings with support services provided by community rehabilitation programs. These services enable consumers t learn necessary job skills and maintain employment. **Supported Employment Programs provide services for individually employed consumers (individual placements), as well as consumers employed in group settings (Group Placements).**

Enrollment in Supported Employment Programs is impacted by employment opportunities within the community and the ability of consumers to obtain and maintain employment. Enrollment is affected by Regional Centers referring consumers for Supported Employment.

<u>4. Self-Directed Services Delivery Model—Local Assistance and DDS Support *(See Hand Outs)*</u>

<u>Issue:</u> The May Revision continues the Administration's proposal to proceed with a federal Waiver **to expand the existing Self-Directed Services Model**, **an alternative service model that enables participants to receive an individual budget allocation *if they so choose*, in lieu of having a Regional Center purchase services for the individual.** The DDS notes that a consumer enrolled into the Self-Directed Services Model could choose to return to the "traditional" service delivery system at any time.

The May Revision proposes <u>(1)</u> a net increase of $426,000 (decrease of $45,000 General Fund and an increase of $471,000 Reimbursements) to reflect technical adjustments on the original January assumptions, **and <u>(2)</u>** revised trailer bill language.

The Self-Directed Services expansion was discussed at length in the April 11th Subcommittee hearing. In addition, there have also been discussions in policy committee regarding Senator Chesbro's legislation on this topic—SB 481.

The Administration and various constituency groups have been convening meetings to craft workable trailer bill legislation. Though it is still a work in progress, considerable closure on several items has already occurred.

<u>This budget proposal contains four components as follows:</u> <u>(1)</u> trailer bill language which deletes the existing Pilot Program; <u>(2)</u> trailer bill language which proposes the new program framework; <u>(3)</u> a reduction of $300,000 (General Fund) in RC Purchase Of Services (POS) funds; and <u>(4)</u> an increase of $500,000 ($300,000 General Fund) to fund 5 positions at DDS Headquarters to implement and monitor the Waiver and the Self-Directed Services Model. <u>Based on the DDS fiscal information provided, there would be no *net* General Fund impact in 2005-06.</u>

<u>Additional Background:</u> As authorized through trailer legislation for the Budget Act of 2003, the DDS is proceeding with a federal "Independence Plus" Waiver to expand the existing Self-Directed Services Model. The Self-Directed Services Model is an alternative service model that enables participants to receive an individual budget allocation that will result in a 10 percent cost reduction in the *aggregate* to the state. Five percent of this savings would be set aside for participating consumers' unanticipated needs, and the remaining five percent is savings to the General Fund.

It should be noted that *all* services provided to individuals enrolled into this Waiver would be eligible for federal matching funds. As such increased federal reimbursements would be available because not all services for consumers on the Home and Community-Based Waiver are eligible for federal matching funds.

The Self-Directed Services Model would be available to all Regional Center consumers who meet Waiver eligibility requirements and are over the age of 3 years. Unlike the Regional Center's traditional service delivery model, this Waiver would provide an array of flexible, non-congregate services.

The DDS notes that self-determination offers consumers a person-centered planning process. Consumers would be able to arrange services in a manner that best suits their needs, and negotiate the service volume, cost and provider. For example, consumers could arrange part-day services rather than those that are offered for a full day.

A finite individual budget allocation would be used to purchase services. "Support brokerage" and financial management service entities would be available to assist consumers to arrange for needed services, as well as determine if prospective service providers meet the requisite qualifications.

Background on the Model: SB 1038 (Thompson), Statutes of 1998, created three "Self-Determination" Pilot Projects. These original pilot projects, including their respective Area Boards, were as follows: (1) Eastern Los Angeles Regional Center; (2) Tri-Counties Regional Center; and (3) Redwood Coast Regional Center. In addition to these, two more pilots were added at Kern Regional Center and San Diego Regional Center. Currently, about 145 consumers participate in these pilots.

Based on an independent evaluation done on these projects (Conroy, et al, March 2002), the evidence supports a positive conclusion: "Self determination is highly beneficial to, and extremely welcome to, participants and their families. The evidence also indicates that self-determination in inherently fiscally conservative." As such the evidence supports a policy move from pilot towards large-scale system efforts.

Subcommittee Staff Recommendation: It is **recommended to (1)** adopt the May Revision adjustments regarding the funding, **and (2)** adopt SB 481 (as amended) as the proposed trailer bill language.

It should be noted that the Assembly adopted the Administration's revised language. **As such, in order to send the language to Conference, it is recommended to adopt SB 481 (as amended). Thought the language of the two proposals is quite similar, a key difference is that SB 481 does not contain emergency regulation authority, whereas the Administration's language does contain this authority.**

It should be noted that no issues have been raised regarding the fiscal aspects of the proposal.

5. California Developmental Disabilities Information System (CADDIS)

Issue: The DDS **is requesting** **(1)** an increase of $2 million (General Fund) in order to make functional changes to CADDIS, ***and*** **(2)** Budget Bill Language to make expenditure of the funds contingent upon the approval of the Director of Finance.

The DDS recently submitted a Special Project Report on CADDIS which reflects functional changes to the application based on input from Regional Centers during and after "acceptance" training to add new programs to the computer system.

Based on this submittal, the Department of Finance has requested that the Health and Human Services Agency oversee an independent assessment of the status of the CADDIS project, prior to approval of the Special Project Report on CADDIS. As such, the $2 million is requested for this purpose. Among other things, this proposed assessment will consider whether CADDIS will meet the DDS and Regional Centers business practice requirements and objectives, including objectives related to federal programs.

Legislative Analyst's Office Recommendation: The LAO recommends to approve the $2 million May Revision request but to modify the proposed Budget Bill Language as follows:

(a) Of the funds appropriated in this Item, $3.730 million shall be available for information technology costs of the CADDIS. Of this amount, $2 million is set aside for the sole purpose of funding functional changes to CADDIS.

(b) Expenditure of the $2,000,000 for CADDIS functional changes shall be made no sooner than 30 days after notification in writing by the Department of Finance to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee of its approval ~~by the Director of Finance~~ of a revised Special Project Report approving these functional changes. The intent of the set-aside is to ensure that sufficient funding is available for the purpose in the event that the Director of Finance determines such changes are necessary for successful completion of the project and approve the Special Project Report. The Director of Finance's determination will be informed by the findings of an independent project review of CADDIS conducted by an independent contractor under the oversight of the California Health and Human Services Agency and the Department of Finance.

(c) The independent project review will be an assessment to determine if the current DACCIS design maps t and reflects the project objectives as represented in the original project Feasibility Study report and Request for Proposal. The assessment will consider whether CADDIS will meet DDS and Regional Center business practice requirements and objectives, including objectives related to federal programs. The assessment will examine project management, schedule, and status.

(d) Funding in this item for Regional Center operations also includes a set-aside of $467,000 General Fund and $92,000 in Reimbursements for Regional Centers to input federally required consumer attendance data into CADDIS upon its implementation. These funds shall not be expended until such time as CADDIS implementation occurs.

(e) On or before September 1, 2005, the Department of Finance shall report to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee of its strategy to resolve problems on the CADDIS project. The strategy shall include, but is not limited to, (1) identification of problems or issues on the project, and (2) actions, costs, and timeframes broken out by budget year and future years to correct those problems or issues. The Department of Finance shall include a copy of the independent project review with its report.

~~(e)~~ (f) Based on the findings of the independent project review, and no sooner than 30 days after notification in writing by the Department of Finance to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee , the Director of Finance may transfer management of the CADDIS project from the Department of Development Services to the California Health and Human Services Agency or another appropriate state agency, in order to promote successful completion of the project.

~~(f)~~ (g) Nothing in this provision is intended to nullify the approval and legislative notification provisions of Section 11.00 or Section 11.10 of this Act.

Subcommittee Staff Recommendation: It is recommended to approve the LAO recommendation to (1) appropriate the May Revision amount of $2 million and (2) modify the proposed Budget Bill Language as noted.

Background on CADDIS: The California Developmental Disabilities Information System (CADDIS) **is an integrated case management and fiscal accounting system that is being implemented by the Regional Centers (RCs) at the direction of the DDS.** CADDIS will replace the current Uniform Fiscal System (UFS) and the San Diego Information System (SANDIS) case management system, both developed and implemented over 20 years ago.

CADDIS is needed in order to obtain more accurate and necessary consumer data regarding needs and services, and in order to enhance the receipt of federal funds by meeting federal reporting requirements.

Initiated in July 2000, CADDIS has encountered several system delays. In the Budget Act of 2003, it was assumed that CADDIS would be operational by June 2004. This date was pushed back to December 2004 through the Budget Act of 2004. **Now the DDS contends that implementation will not occur until June 2006. CADDIS expenditures to date are shown in the table below:**

Fiscal Year	General Fund
2000-01	$707,000
2001-02	$5,306,000
2002-03	$401,000
2003-04	NA
2004-05	$6,439,000
2005-06	$3,730,000
Total Funding	**$16,583,000**

Questions:

1. DDS, Please provide an update on the CADDIS project and the timing of completion of the overall assessment

6. CADDIS Delay Affects Vendor Processing

Issue: The DDS proposes **an increase of $559,000 ($467,000 General Fund)** for **Regional Center Operations to hire 42 positions to manually process data necessary for billing contracted and other services to the Home and Community-Based Waiver, thereby accessing federal funds.**

The issue is that if CADDIS was operational, data could be electronically uploaded from vendors to the Regional Centers. However this clearly not occur until at least June 2006 (revised CADDIS implementation date).

Subcommittee Staff Recommendation: Unfortunately, there is no other alternative than to approve the May Revision as proposed.

Questions:

1. DDS, Please explain the May Revision request.

7. Proposed Augmentation for RC Operations

Issue: The May Revision updates the Governor's January proposal to significantly increase the funding for the Regional Center Operations budget. **Specifically, the May Revision proposes an increase of $20.2 million ($8.8 million General Fund and $11.4 million Reimbursements from the DHS of which 50 percent, or $5.7 million, is state General Fund).**

The Administration contends that this level of funding is needed to help Regional Centers maintain compliance with the federal Centers for Medicare and Medicaid Services (CMS) for the Home and Community-Based Services Waiver. **No trailer bill or Budget Bill Language is proposed as to how these funds will specifically be used, or exactly how the use of these funds will indeed ensure compliance with the Waiver requirements.**

As noted under the DDS support item in this agenda, the DDS is just beginning to craft a comprehensive Quality Management System as requested by the federal CMS. **As such, it is unknown at this time how the proposed funding will be incorporated into any performance measures for the RCs**.

It should also be noted that the current-year request for $10.6 million (General Fund) (half-year funding) for this proposal was submitted via the Section Letter process and was recommended for denial by the LAO.

Legislative Analyst's Office Recommendation: The LAO recommends to deny the entire request.

They note that a report due to the Legislature by January 10, 2005 that would provide information on key attributes of Regional Center Operations as it relates to the Home and Community-Based Waive is overdue. **Therefore, the LAO does not believe that the Legislature has sufficient information to act upon the request.**

Subcommittee Staff Recommendation: Subcommittee staff concurs with the LAO recommendation. Issues have been raised with the Administration regarding receipt of the report, as well as the lack of any controlling language regarding the potential receipt of the funds. Presently there are no accountabilities or performance measures. As such, the Regional Centers could use the funds for other purposes.

Questions:

1. DDS, Please provide a brief summary of the May Revision proposal.

C. Issues Regarding the State Developmental Centers

Overall Background: The DDS operates five Developmental Centers (DCs)—Agnews, Fairview, Lanterman, Porterville and Sonoma. setting Porterville is unique in that it provides forensic services in a secure setting. In addition, the department leases Sierra Vista, a 54-bed facility located in Yuba City, and Canyon Springs, a 63-bed facility located in Cathedral City. Both facilities provide services to individuals with severe behavioral challenges.

State operated facilities are entitled to payment for Intermediate Care Facility (ICF) services at actual allowable costs for services for individuals with developmental disabilities. Reimbursement levels for payment of services are based on rates developed by the DDS and approved by the DHS. Medi-Cal reimbursement is available for most DC services, except for nine residential units at Porterville DC (no longer eligible due to forensic-related issues). According to recent DDS data, the average cost per person residing at a DC is about $228,000 annually.

1. May Revision Adjustments for the Developmental Centers—*Various*

Issue: The May Revision reflects total expenditures of $708 million ($379.2 million General Fund) for the DCs or an increase of $9.4 million ($6.1 million General Fund) over the Governor's January budget. This increase is due to a series of proposed adjustments including the following:

- ***Population Adjustments:*** The May Revision reflects a reduction of $6.1 million ($3.6 million General Fund) from January due to a projected decrease in population of 55 residents (from 3,071 residents to 3,016 residents).
- ***Employee Compensation Adjustment:*** An increase of $2.1 million ($1.2 million General Fund) to capture employee compensation costs that were inadvertently overlooked during the Fall budget development process of the Administration's.
- ***Quality Management System Requirements:*** An increase of $664,000 ($369,000 General Fund) to fund 5 positions (two-year limited-term) to assist in evaluating the current systems for performance indicators for organizational, operational, and consumer outcomes, and regulatory compliance, and address improvements as appropriate.
- ***Worker's Compensation One-Time Settlement Funding:*** DDS is requesting $4.9 million ($2.8 million General Fund) to aggressively settle claims and reduce future liability for which there is no funding in the base budget and to include funding to compensate the State Compensation Insurance Fund (SCIF) staff to facilitate the settlement process.
- ***Medicare Part D Prescription Drug Benefits:*** An *overall* **increase of $1.2 million (General Fund)** to implement the provisions of the federal Part D Drug Program is proposed. Effective January 1, 2006, drug and pharmacy costs for dual eligible

Developmental Center consumers will shift from Medi-Cal to Medicare. All of this proposed increase is for administration purposes.

Specifically, of the total proposed increase, **$586,000 (total funds) is for 11.5 positions at the Developmental Centers, effective January 1, 2006**, including Accounting, Pharmacy, Program and Health Records positions. **In addition $578,000 (one-time) is for computer workstations billing software, and consultant services to review existing pharmacy and physician systems, and $40,000 in other operating expenses.**

About 2,200 dual eligible consumers, or 65 percent of the DC residents, will be enrolled for low-income subsidies, which will exempt them from co-pays, premiums, and annual benefit caps. These individuals will be required to enroll in Prescription Drug Plans (PDP) of their choice.

The DDS' Medicare Part D Drug Program proposal assumes that existing Developmental Center pharmacies will operate as long-term care pharmacies and contract with Prescription Drug Plans (PDPs) to provide drugs to consumers under the federal Part D Drug Program. The DDS notes that considerable work will need to be done in the Developmental Centers to implement the federal Part D Drug Program requirements as additional information is provided by the federal government.

Subcommittee Staff Recommendation: No issues have been raised regarding these adjustments. It is recommended to adopt the May Revision.

Questions:

1. DDS, Please provide a *brief* summary of each of the above component changes.
2. DDS, Please describe how the long-term care pharmacy function will operate in order to implement the federal Part D Drug Program.

2. Adjustments for Agnews Developmental Center Closure

Issue: The Subcommittee's April 11th hearing discussed in the detail the Governor's closure of the Agnews Developmental Center. The Governor's May Revision proposes the following technical adjustments to the proposed closure of Agnews Developmental Center:

- $3.5 million ($2.4 million General Fund) for Agnews state staff to work in the community to facilitate the transition of consumers from Agnews to other living arrangements. This funding level reflects a technical adjustment on the part of the Administration, as well as a later start date—October 1, 2005 instead of July 1, 2005. The DDS states that 50 state staff would be used, which is consistent with the closure plan. AB 1378 (Lieber) is an Administration sponsored bill that is proceeding through the policy process on this issue.

- $3.2 million ($1.7 million General Fund) to fund a new methodology to reasonably staff Agnews DC and provide personal services to support administrative and operational requirements as the Agnews DC population declines. Licensing standards dictate specific ratios of licensed staff to population as well as minimum licensed staffing levels. These resources are needed to ensure the appropriate level of non-level-of-care staffing at Agnews during the transition to closure.

Subcommittee Staff Recommendation: It is **recommended to approve these technical adjustments as proposed in the May Revision.**

Background—Agnews Closure: The Governor proposes to close Agnews Developmental Center, located in San Jose, by June 30, 2007, if the community is ready. The Governor's budget contains certain components of this closure Plan, while Administration sponsored policy legislation associated with other components of the Plan is proceeding through the Policy Committee process.

As justification for its policy, the Administration cites the need for the state to comply with the 1999 U.S. Supreme Court decision ("Olmstead"), in which the court ruled that keeping persons in institutions who could transition to a community setting constituted discrimination under the Americans with Disabilities Act. The Administration also cites as reasons to close Agnews the high capital improvement costs that would have to be incurred if the facility were left open, and the high cost of institutional care at Agnews as compared to community-based care. According to recent DDS data, the average cost per person residing at a DC is about $228,000 annually. In addition, due to the level of fixed costs at the DCs and the need to maintain minimum staffing levels, the cost per resident will continue to increase as the total resident population decreases.

It should be noted that the Agnews Developmental Center Plan closure is different than the two most recent closures of Developmental Centers—Stockton DC in 1996 and Camarillo DC in 1997—both of which resulted in the transfer of large numbers of individuals to other state-operated facilities. In contrast, the Agnews Plan relies on the development of an improved and expanded community service delivery system in the

Bay Area that will enable Agnew's residents to transition and remain in their home communities. The DDS proposes to achieve this by:

- Establishing a permanent stock of housing dedicated to serving individuals with developmental disabilities.
- Establishing new residential service models for the care of developmentally disabled adults.
- Utilizing Agnew's state employees on a transitional basis in community settings to augment and enhance services including health care, clinical services and quality assurance.
- Implementing a Quality Management System (QMS) that focuses on assuring that quality services and supports are available in the community.

The Plan provides for the development of new resources and innovative programs. Key components are as follows:

Family Teaching Home Model: AB 2100, Statutes of 2004, also added a new "Family Teaching Home" model to the list of residential living options. This new model is designed to support up to three adults with developmental disabilities by having a "teaching family" living next door (usually using a duplex). The teaching family manages the individuals' home and provides direct support when needed. Wrap-around services, such as work and day program supports, are also part of this model.

Bay Area Unified Community Placement Plan. The three Bay Area RCs (Golden Gate, San Andreas, and East Bay) have a unified plan for community placement whereby extensive individual assessment and person-centered planning is conducted. A regional approach (i.e., the greater Bay Area) is then taken for the planning and development of services and supports for individuals with developmental disabilities.

By taking a unified approach to housing, health services, quality assurance, and residential living options, resources can be used more efficiently and effectively, and more individuals can be transitioned to the community, when appropriate

Pilot Projects for Adults with Special Health Care Needs. Through policy legislation—SB 962 (Chesbro), as introduced-- the DDS is proposing to establish a new pilot residential project designed for individuals with special health care needs and intensive support needs. This pilot would be a joint venture with the Department of Social Services (DSS) and would serve up to 120 adults, with no more than five adults residing in each facility. This pilot would be limited to individuals currently residing at Agnews.

Use of State Employees to Facilitate Transition. Through policy legislation—AB 1378 (Lieber), as introduced--the DDS proposes to use up to 200 Agnew's employees to augment and enhance services provided in the community. These state employees would be used to provide direct care, resolve crises, train and provide technical assistance to new providers, and other functions. The employees would operate under special contracts between the state and either an RC or service provider. These arrangements would continue through 2009.